

## **BUDGET, FINANCE & INVESTMENT COMMITTEE**

**June 20, 2011**

**5:30 P.M.**

**Courthouse**

### MINUTES

#### Members Present:

Comm. Charlie Baum  
Comm. Joe Frank Jernigan  
Comm. Will Jordan  
Comm. Robert Peay, Jr.  
Comm. Steve Sandlin  
Comm. Doug Shafer  
Comm. Joyce Ealy, Chrm.

#### Others Present:

Ernest Burgess  
Lisa Nolen  
Jeff Sandvig  
Elaine Short

Chairman Ealy presided and called the meeting to order with all members being present.

The purpose of the meeting was to discuss the public hearing and to review the 2011-12 budget.

#### APPROVE MINUTES:

The minutes of the June 9, 2011 Budget Committee meeting were presented for approval.

Comm. Jernigan moved, seconded by Comm. Jordan to approve the minutes as presented.

The motion passed unanimously by acclamation.

#### REVIEW PUBLIC HEARING:

No one spoke regarding the 2011-12 budget at the public hearing held on June 14.

### **2011-12 BUDGET REVIEW**

The Finance Director advised that there had been no changes to the 2011-12 budgets for Fund 118, Ambulance Service Fund; Fund 119, Industrial/Economic Development Fund; Fund 122, Drug Control Fund; Fund 131, Highway Fund; Fund 143, Central Cafeteria Fund; or Fund 177, Education Capital Projects Fund.

#### SOLID WASTE/SANITATION FUND:

The Finance Director advised that there was no change to the total revenue or the total appropriations in the 2011-12 Solid Waste/Sanitation Fund budget. She explained that there had been some movement in employees from one budget function to another budget function since the mayor had made his recommendation. An employee with more years of experience moved from the landfill budget to the convenience centers budget, resulting in an increase to the longevity and the related benefits in the convenience centers budget and a reduction in the longevity and the related benefits in the landfill budget.

The total revised 2011-12 appropriations for the convenience centers budget was \$2,408,540, which was an increase of \$275.

The total revised 2011-12 appropriations for the landfill budget was \$752,944, which was a reduction of \$275.

Comm. Peay moved, seconded by Comm. Jernigan to approve the revised 2011-12 Convenience Centers budget totaling \$2,408,540 and the revised 2011-12 Landfill budget totaling \$752,944. The motion passed unanimously by acclamation.

**SPECIAL PURPOSE FUND (ASSET FORFEITURE FUND):**

The Finance Director advised that in the Special Purpose Fund anticipated revenues were not estimated and only money that was available and on hand could be budgeted. She explained that in the 2010-11 Fiscal Year, \$97,921 had been budgeted. Of that amount \$79,667 had been spent, resulting in an available balance of \$18,254. She explained that \$1,833 in revenue had been received today resulting in \$20,087 that could be budgeted for 2011-12.

The estimated beginning restricted fund balance at July 1, 2011 was \$20,100. The estimated appropriations totaled \$20,087 resulting in an ending fund balance at June 30, 2012 of \$13.

Comm. Sandlin moved, seconded by Comm. Shafer to approve the 2011-12 Special Purpose Fund budget with estimated appropriations totaling \$20,087.

The motion passed unanimously by acclamation.

**GENERAL PURPOSE SCHOOL FUND:**

The Finance Director requested approval of the revised 2011-12 General Purpose School Fund budget with an increase to the projected revenue of \$16,234 and an increase to the estimated appropriations of \$16,234. The total revised revenue was \$260,439,505, and the revised appropriations totaled \$266,900,044.

Mr. Sandvig advised that the adjustment was due to fingerprinting. He explained that the fingerprinting was bid by the TBI, and the school board had to use the vendor that was awarded the contract by the TBI. He explained that the previous contractor hired two employees, and the school board provided office space. The new contractor will pay the school board three dollars for each successful print, and the school board will hire two part-time employees.

Comm. Peay asked who was being fingerprinted.

Mr. Sandvig advised that all new employees were fingerprinted.

Comm. Sandlin moved, seconded by Comm. Peay to approve the revised 2011-12 General Purpose School Fund budget with projected revenue totaling \$260,439,505 and estimated appropriations totaling \$266,900,044.

Comm. Peay asked if the school board was required to fingerprint all new employees.

Mr. Sandvig advised that the school board had been required for eight to ten years to perform background checks on new employees.

Comm. Peay stated that he believed that this was another unfunded mandate.

Comm. Shafer advised that it was necessary to check for possible sex abuse offenders.

Following discussion, the motion to approve the revised 2011-12 General Purpose School Fund budget with projected revenue totaling \$260,439,505 and estimated appropriations totaling \$266,900,044.

The motion passed unanimously by acclamation.

**2011-12 GENERAL FUND****BUILDING CODES:**

The Finance Director explained that originally, the 2011-12 Building Codes budget included \$4,000 in Account 101-54510-140, Salary Supplements, for four employees to become certified. Mr. Jones has advised that five employees will be eligible to be certified.

The Finance Director requested approval to revise the estimated appropriation for Account 101-54510-140, Salary Supplements, from \$4,000 to \$5,000 along with the associated benefits. The revised 2011-12 Building Codes budget totaled \$749,024, which was an increase of \$1,200.

Comm. Jordan moved, seconded by Comm. Jernigan to approve the revised 2011-12 Building Codes Budget totaling \$749,024 as requested.

The motion passed unanimously by acclamation.

#### EMERGENCY MANAGEMENT:

The Finance Director requested approval of the revised 2011-12 Emergency Management budget to increase revenue account 101-47235, Homeland Security, by \$727,247; and to increase expenditure account 101-54430-790, Other Equipment, by \$727,247. She explained that the revision was to account for the unspent 2009 and 2010 Homeland Security Grants. The total 2011-12 revised Emergency Management budget was \$1,106,004.

Comm. Jernigan moved, seconded by Comm. Sandlin to approve the revised 2011-12 Emergency Management budget totaling \$1,106,004 with an increase to revenue account 101-47235, Homeland Security, of \$727,247, and an increase to expenditure account 101-54430-790, Other Equipment, of \$727,247.

The motion passed unanimously by acclamation.

#### COUNTY FIRE DEPARTMENT:

The Finance Director requested approval of the revised 2011-12 County Fire Department budget increasing revenue account 101-47990, Other Direct Federal Revenue, by \$49,703; and increasing expenditure account 101-54320-790, Other Equipment, by \$52,318. She explained that the revision was due to being awarded the Safer Grant that was applied for by the Rutherford Volunteer Fire Department. The difference in the revised revenue and the revised expenditure of \$2,615 would be the county's match. The total revised 2011-12 County Fire Department budget totaled \$1,007,501.

Comm. Jernigan moved, seconded by Comm. Sandlin to approve the revised 2011-12 County Fire Department budget totaling \$1,007,501 with an increase to revenue account 101-47990, Other Direct Federal Revenue, of \$49,703 and an increase to expenditure account 101-54320-790, Other Equipment, of \$52,318.

The motion passed unanimously by acclamation.

#### SHERIFF'S DEPARTMENT & JAIL:

The Finance Director advised that she was not requesting approval to increase the total 2011-12 budget for the Sheriff's Department and Jail, but she had updated the salary accounts to agree with the most recent staffing. Account 101-54110-103, Assistants, was revised to \$409,901, and Account 101-54110-107, Detectives, had been revised to \$762,200.

The 2011-12 Jail budget was revised changing the budgeted amount of \$3,989,039 from Account 101-54210-189, Other Salaries & Wages, to Account 101-54210-160, Guards.

#### GENERAL FUND SUMMARY:

The Finance Director advised that the total 2011-12 revised revenue for the General Fund was \$68,662,702, and the total revised appropriations were \$72,701,049 with the change to the Unassigned Fund Balance of \$3,738,347. The estimated Unassigned Fund Balance at July 1, 2011 was \$15,200,000, and the estimated Unassigned Fund Balance at June 30, 2012 was \$11,311,653. The 15% fund balance requirement was \$10,905,157. Mrs. Nolen explained that

there was only \$400,000 difference between the estimated ending fund balance and the fund balance as required by the policy.

The Finance Director presented an analysis of the fund balance activity that had occurred during 2010-11. She explained that there was a planned reduction of fund balance during the year of \$1,466,403. During the year, the fund balance was reduced through additional amendments by \$1,153,556. She explained that things occurred during the year that were not planned for when the budget was adopted.

Mayor Burgess stated that he believed that this was too close to the 15% requirement and more flexibility was needed.

#### GENERAL DEBT SERVICE FUND:

The Finance Director advised that she was requesting approval to revise the estimated appropriations for the 2011-12 General Debt Service Fund. She explained that originally the Debt Service Fund included an appropriation of \$1.8 million for Education Interest Payments on a future borrowing. She explained that originally a spring borrowing was discussed, which would require two interest payments and one principal payment in 2011-12. It has been determined that the next bond issue will occur in the fall, which will require only one interest payment in the spring of 2012. Therefore, the estimated interest payment could be reduced from \$1.8 million to \$870,000 resulting in the total revised 2011-12 appropriations for the General Debt Service Fund of \$61,487,195.

After consulting with the financial advisors, various scenarios for the next bond issue were developed. One scenario demonstrated borrowing \$50 million with a true interest cost of 3.42%, and the second scenario demonstrated borrowing \$50 million with a true interest cost of 4.0%. The Finance Director explained that in her previous assumptions she had used an interest cost of 4.75%.

The Finance Director presented a projection of borrowing \$50 million at 3.42% interest with the reduced interest payment in 2011-12. With the property tax rate of \$ .6262, the estimated appropriations would exceed the estimated revenue by \$932,598. The projected fund balance at June 30, 2011 was \$33,500,000. This scenario also illustrated that the estimated Debt Service fund balance would exceed the requirement by \$5.6 million in 2011-12, \$3.8 million in 2012-13, \$1.3 million in 2013-14 and \$302,152 in 2014-15.

Mayor Burgess also stated that the Finance Director had used conservative growth factors in estimating the revenue for future years.

The Finance Director explained that by reducing the interest payment in 2011-12 from \$1.8 million to \$870,000, the estimated ending fund balance at June 30, 2012 was \$32,612,016, which was 78.61% of appropriations.

Mrs. Nolen explained that she was concerned about the unassigned fund balance in the General Fund, and she presented a scenario of transferring three cents of the property tax rate from the Debt Service Fund to the General Fund. She explained this would result in a fund balance in the Debt Service Fund of approximately 74.5%.

Mayor Burgess explained that transferring three cents from the Debt Service Fund to the General Fund would equate to \$1,704,311. He stated that would still result in an estimated fund balance in the Debt Service Fund of approximately 74.5%, which would be almost 10% above the 65% policy. Mayor Burgess advised that he supported the suggestion for two reasons, with one being that the fund balance in the General Fund would end too close to the policy. He stated that this would stabilize the General Fund and would provide more flexibility.

Secondly, Mayor Burgess advised that the Purchasing Committee had taken bids on the fire and rescue building. The bids exceeded the three-year old estimates by a substantial amount. Three

bids were received, and they were within approximately \$16,000 of each other, with the total bid amount being \$1.2 million. Mayor Burgess advised that the estimate was \$500,000. Mayor Burgess advised that the building would last for a long time, and it would have the capacity for the volunteers to stay there 24/7. He stated that it was not a huge building and it was not overly designed. He explained that the building would be brick, but that was a requirement for the property where it would be located. The building would have three bays. The building will have a sprinkler system, fire alarm, and landscaping as required by the City of Murfreesboro. Mayor Burgess advised that an additional \$750,000 to \$800,000 would be needed to construct the building. Mayor Burgess reminded the committee that the Christy Houston Foundation had committed \$400,000 toward the project, and he stated that he did not know if they would contribute any more money or not. He stated that was something that could be pursued. He stated that he believed that they would be receptive to listening to the request. He explained that before the county could move forward with the project in a timely manner, he needed to know if the project was going to be done.

Comm. Peay asked Mayor Burgess if he had considered re-bidding the fire and rescue project.

Mayor Burgess advised that he had thought about it, but with the bid amounts being so close, he did not think that the numbers would change that much. He stated that all bids could be refused, and it could be bid again, but that would take three or four months.

Comm. Baum stated that with the scenarios provided by the Finance Director, it appeared that the estimated ending fund balance for the Debt Service Fund would be tight on year four using the property tax rate of \$ .6262. He asked what the projected fund balance for the Debt Service Fund would be if three cents were moved to the General Fund.

The Finance Director advised that there would be an issue with the ending fund balance at the end of three years.

Mayor Burgess stated the scenario assumed only 1% growth.

The Finance Director explained that if the growth were better, then the ending fund balance would be better.

Comm. Jordan stated that the recommendation was for the 2011-12 fiscal year. He stated that the property tax rate could be adjusted accordingly next year if needed. He stated that as long as the recommendation was to remain with the total current property tax rate, he did not have a problem with moving pennies from the Debt Service Fund to the General Fund.

Comm. Peay stated that he did not like moving a portion of the property tax rate from Debt Service to the General Fund. He stated that he could see moving the money if the needs were there, but he did not necessarily think that the fire and rescue building should be the reason for the money to be moved.

Mayor Burgess explained that the county owned property on West College Street where the Rutherford County Rescue Squad was located. He stated that the property could potentially be sold. He stated that the property could probably not be sold for the amount of the debt that was paid off, which was \$250,000. He stated that the money for the property would be available at some point in the future.

The Finance Director presented an option, referred to as Plan A, for the 2011-12 General Fund demonstrating the addition of three cents on the property tax rate being transferred from the Debt Service Fund. The total revised revenue was \$70,401,795. The revised estimated appropriations included an increase of the Trustee's Commission of \$34,782, and an operating transfer of \$800,000 to be transferred to the General Capital Projects Fund for the fire and rescue building. The total revised estimated appropriations were \$73,535,831. The transfer from the Restricted Fund Balance totaled \$375,000 with \$150,000 being from the Litigation Tax for building improvements at the jail and \$225,000 from the Restricted for Capital Projects, which was the

Development Tax. These changes would result in a change to the Unassigned Fund Balance of \$2,759,036, which would allow an ending Unassigned Fund Balance of 16.9%.

The Finance Director explained that the estimated beginning fund balance as of July 1 for the Restricted for Capital Projects Account (Development Tax) was \$2,962,403. The estimated revenue was \$500,000. Estimated uses was \$250,000 for the GIS Fly-Over; \$250,000 for Sheriff's vehicles, and \$225,000 for the construction of the fire and rescue building for a total of \$725,000. The estimated ending balance in the Restricted for Capital Projects Account as of June 30, 2012 was \$2,737,403.

The Finance Director presented a second option, Plan B, whereby only two cents on the property tax rate would be moved from the Debt Service Fund to the General Fund. This option would result in total estimated revenue of \$69,822,097. This option provided that instead of using \$225,000 from the Development Tax for the construction of the fire and rescue building, that \$450,000 would be provided from the Development Tax. This option would result in an estimated ending Unassigned Fund Balance of 16.5%.

Mayor Burgess stated that more of the Development Tax could be used if the committee chose to do that.

Comm. Sandlin asked if the committee chose to stay with the previous recommendation on the 2011-12 General Fund budget, and if none of the property tax rate was moved from the Debt Service Fund to the General Fund, would the fire and rescue building be the only thing that was jeopardized.

The Finance Director stated that not considering the fire and rescue building, she believed that if the property tax was not moved to the General Fund, the ending fund balance would be too close to the requirement.

The Finance Director stated that at the end of next year, if the additional property tax in the General Fund was not needed, it could be transferred back to the Debt Service Fund. She stated that there were still a lot of unknowns. She explained that the estimated beginning fund balance at July 1 was estimated at \$15.2, but she hoped it would actually be better. She also stated that another unknown was the actual amount of the next bond issue. She stated that the bids on Stewarts Creek High School were due June 30.

Following discussion, Comm. Jernigan moved, seconded by Comm. Jordan to approve Plan A transferring three cents of the property tax rate from the General Debt Service Fund resulting in a property tax allocation of \$ .5962 to the General Fund resulting in a property tax allocation of \$ .5840; appropriating \$800,000 for Operating Transfers to transfer to the General Capital Projects Fund for the fire and rescue building; using \$150,000 from the Litigation Tax Reserve for the jail improvements, and using \$225,000 from the Restricted for Capital Projects Account (Development Tax) to provide funding toward the construction of the fire and rescue building.

Chairman Ealy emphasized that the committee was still not recommending a property tax increase, and was recommending the current total property tax rate of \$2.4652.

Comm. Sandlin stated that he believed the committee was recommending something just as hard, and that was moving three cents from the Debt Service Fund to the General Fund. He stated that might come back and hurt the county if they were not careful.

Comm. Peay asked that instead of reallocating the property tax rate now, if at some time during the year, the General Fund needed additional revenue, could it be adjusted during the year.

The Finance Director explained that the adjustment to the property tax rate now would be adjusting the amount of revenue going into the fund on the front end. She explained that once the property tax rate was allocated, funds from the Debt Service Fund could not be transferred to the General Fund during the year.

Comm. Shafer stated that he could agree to transfer three cents of the property tax rate from the Debt Service Fund to the General Fund, but he asked why the money had to be transferred from the Restricted for Capital Projects Account now.

The Finance Director explained that \$225,000 of the Restricted for Capital Projects would be dedicated for the Fire and Rescue Project, and in essence property tax would be funding the balance of the project.

Comm. Peay stated that he did not understand that the \$225,000 would be dedicated toward a particular project.

The Finance Director explained that yes the \$225,000 from the Restricted for Capital Projects Account would be dedicated for the Fire and Rescue Project. She explained that it would provide funding toward the \$800,000 being recommended in the Operating Transfer Account to be transferred to the General Capital Projects Fund.

Comm. Jernigan reiterated that the Christy Houston Foundation was contributing \$400,000 toward the project.

The Finance Director stated that if the ending fund balance was better, the committee could decide that the \$225,000 from the Restricted for Capital Projects Account might not be needed. Comm. Jordan suggested that the motion might need to be separated into two separate motions, because regardless if the funding for the fire and rescue building was recommended, the General Fund would still need the three cents from the Debt Service Fund.

Comm. Peay stated that he was not ready to designate funds for the fire and rescue building.

Comm. Jordan stated that there might be members who were willing to vote for transferring the three cents but were not willing to vote for the fire and rescue building.

Following discussion the motion to approve Plan A transferring three cents of the property tax rate from the Debt Service Fund resulting in a property tax allocation of \$ .5962 to the General Fund resulting in a property tax allocation of \$ .5840; appropriating \$800,000 to Operating Transfers in order to make a transfer to the General Capital Projects Fund for the fire and rescue building; using \$150,000 from the Litigation Tax Reserve for jail improvements; and using \$225,000 from the Restricted for Capital Projects (Development Tax) to be used toward the funding for the construction of the fire and rescue building failed by roll call vote with Comm. Jernigan voting "yes"; and Commissioners Baum, Jordan, Peay, Sandlin, Shafer, and Ealy voting "no".

Comm. Jordan moved, seconded by Comm. Shafer to transfer three cents from the Debt Service Fund resulting in a property tax allocation of \$ .5962 to the General Fund resulting in a property tax allocation of \$ .5840.

Comm. Peay asked if the motion was approved, what would prevent the Purchasing Committee from awarding a bid on the fire and rescue building.

The Finance Director advised that the current motion did not appropriate any money to the Operating Transfer Account to be transferred to the General Capital Projects Fund.

The motion to transfer three cents from the Debt Service Fund resulting in a property tax allocation of \$ .5962 to the General Fund resulting in a property tax allocation of \$ .5840 passed unanimously by roll call vote.

Comm. Shafer asked if the \$150,000 from the Litigation Tax for the jail improvements was already included in the budget.

The Finance Director advised that the \$150,000 from the Litigation Tax for the jail improvements had been in the budget all along. She also wanted to clarify that the \$500,000

being estimated for Development Tax collections in the General Fund would be appropriated with \$250,000 being used for the GIS fly-over and \$250,000 being used toward the Sheriff's vehicles.

Mayor Burgess asked the committee if they would be more comfortable appropriating the entire amount from the Development Tax for the fire and rescue building, or if they were not comfortable spending \$1.2 million from the General Fund for a building. He stated that no money from the General Fund had been used on structures. He stated that one clerk's building had been constructed, and the commission was borrowing \$25 million to \$50 million every year to build schools. He stated that he thought the fire and rescue building was a project that needed to be seriously considered. He stated that very little money had been spent on buildings for the General Government since he had been mayor, except for the Correctional Work Center and the Juvenile Detention Center, which were already underway when he became mayor.

Comm. Jordan stated that he would like Property Management and Public Safety to also discuss the matter. He stated that four members could approve the building, and it would be a significant change to the budget.

Comm. Jernigan stated that by constructing the building in the city, there were more requirements that had to be met.

Comm. Jordan asked about including the funding for the building in the next bond issue.

Mayor Burgess stated he would rather appropriate all of the money from the Development Tax than to borrow for it and pay for it over 20 years. Mayor Burgess stated that the money in the Development Tax was not earning any money at the current time.

Comm. Jernigan asked Comm. Peay how he felt about the project if the funding was taken from the Development Tax.

Comm. Peay stated that he still believed it was too much money for the building.

Comm. Jordan stated that if the cost of constructing the building was \$1.2 million and Christy Houston was going to provide funding for one-third of the cost, he would not want to lose that.

Mayor Burgess advised that the low bidder was Dyer and Boger Construction from Hendersonville. He stated that the same company built the clerk's building in Smyrna.

Comm. Baum asked the Finance Director if all of the funding for the building was taken from the Development Tax, would it still be the recommendation to transfer three cents from the Debt Service Fund to the General Fund.

The Finance Director stated that she would be more comfortable going to the rating agencies with a healthier fund balance.

Following discussion, Comm. Jordan moved, seconded by Comm. Baum to fund up to \$800,000 in the 2011-12 budget from the Development Tax to provide funding in the Operating Transfer Account for a transfer to the General Capital Projects Fund for the fire and rescue building.

Comm. Jordan stated that hopefully Mayor Burgess would be able to get additional funding from the Christy Houston Foundation.

Following discussion, the motion to fund up to \$800,000 in the 2011-12 budget from the Development Tax to provide funding in the Operating Transfer Account for a transfer to the General Capital Projects Fund for the fire and rescue building passed by roll call vote with Commissioners Baum, Jernigan, Jordan, Shafer, and Ealy voting "yes"; and Commissioners Peay and Sandlin voting "no".



ADJOURNMENT:

Chairman Ealy advised that the next Budget Committee meeting would be Wednesday, June 22 at 5:30 P.M.

There being no further business to be presented at this time, Chairman Ealy declared the meeting adjourned at 6:55 P.M.

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Elaine Short, Secretary